

(May 29, 2009) SW News: Obama Signs Bill for Credit Card Reform

President Barack Obama signed into law last Friday a piece of legislation known as the "Credit Cardholders' Bill of Rights" limiting fees and contract changes, which received overwhelming support in both chambers of Congress.

Cong. Dan Lipinski (D-3rd) and Bobby Rush (D-1st) were among the many supporters of the bill, known as House Resolution 627, which passed 361 to 64 on May 20 in the House.

There was also widespread support for the measure in the Senate, which passed its version the previous day by a margin of 90-5.

The two chambers then ironed out a few differences before sending it to Obama.

The legislation:

- Prohibits arbitrary interest rate increases on existing balances, unless the consumer is 60 days late on a payment or fails to comply with a workout agreement
- Strengthens protections against excessive fees on low-credit, high-fee credit cards

- Prohibits late fees if the card issuer delayed crediting the payment

- Requires each issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its own Web site.

It also helps people who pay bills on time by banning double-cycle billing, under which issuers apply interest to a balance that has already been paid.

It requires that payments made at local bank branches be credited the same day, and prohibits late fees if the issuer delayed crediting payments.

Aiming to protect young people from incurring insurmountable debt, the legislation also requires credit-card applicants under age 21 to get the signature of a parent or guardian who will take responsibility for the debt. Those who can prove they have the financial means to repay balances would not need the parental signature.

A requirement that credit card issuers notify cardholders of an interest rate increase will go into effect 90 days after the bill was signed. The industry will have nine months to comply with the other rules.

The Federal Reserve Board will oversee the agreement. Some banks are already in compliance, at least partially.

"Right now, so many banks are struggling and unfortunately they are looking for money anywhere they can, and one way is with credit card fees," said Lipinski, explaining on Tuesday why he felt the legislation was necessary.

"With the economy being so bad right now, people are struggling and credit card issuers are turning to unfair methods," said Lipinski.

He noted that many banks issuing credit cards received taxpayer money in the federal bailout, "and I certainly think that some of these are essentially going after people a second time by trying to get money over what they owe."

Banking representatives have argued that high interest rates are sometimes needed because the credit cards are essentially unsecured loans without collateral to back them up.

"I know the banks are saying that this is not fair, but this bill still allows them to raise interest rates," said Lipinski. "They just can't do it arbitrarily or use double-cycle billing on apply payments in whatever way benefits them the most.

"It helps to level the playing field. There are too many loopholes in the current law, and this, fortunately, fixes some of them."

Lipinski opposed a completely unrelated provision that was added in the Senate - allowing registered gun-owners to carry concealed weapons in national parks.

"Unfortunately, that was tacked on in the Senate," he said, noting that he did vote against the addendum separately, but it was still included in the final version.

"Apart from the issue of where guns should be allowed, I thought it had nothing to do with the main bill. It is a dangerous precedent to put something in at the end that has nothing to do with it," said Lipinski.

Rush issued a statement saying, "I have always stood for equitable treatment of consumers, especially low- to moderate-income men and women who often rely on their credit cards at a rate much higher than wealthy consumers."

"(The vote) says loudly and clearly that the days of confusing and obscure interest rate information, not to mention punitive fees that are often applied to cardholders who pay their bills on time, will be a thing of the past shortly after the president signs this bill."

He said it is a "much-needed protection for consumers who work hard and play by the rules, and I believe it will help make a difference" in the continuing efforts to "right our economic ship of state."

Obama was quoted at the Rose Garden bill-signing as saying it will give Americans "the strong and reliable protections they deserve."

"Contracts are drafted not to inform but to confuse," Obama said. "Mysterious fees appear on statements. Payment deadlines shift. Terms change. Interest rates rise. And suddenly a credit card becomes less of a lifeline and more of an anchor."

"We're putting in place some common sense reforms, designed to protect consumers."